

Message Text

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ACTION NEA-09

INFO OCT-01 ISO-00 AID-05 CIAE-00 COME-00 EB-07 FRB-01

INR-07 NSAE-00 RSC-01 TRSE-00 XMB-04 OPIC-06 SP-02

CIEP-02 LAB-04 SIL-01 OMB-01 NSC-05 SS-15 STR-04

CEA-01 PA-02 PRS-01 USIA-15 PM-03 DODE-00 SAM-01 /098 W

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R 201016Z JAN 75

FM AMEMBASSY TEL AVIV

TO SECSTATE WASHDC 5277

UNCLAS TEL AVIV 0388

E.O. 11652: N/A

TAGS: ECON, IS

SUBJ: CABINET ADOPTS DRAFT BUDGET OF IL 56.5 BILLION

REF: A. TEL AVIV A-261 (11/72/74)

B. TEL AVIV A-165 (7/1/74)

C. TEL AVIV 5500 (9/27/74)

1. ON JANUARY 12, CABINET APPROVED CENTRAL GOVERNMENT BUDGET FOR GOI FY 1975/76 (BEGINNING APRIL 1, 1975) OF APPROXIMATELY IL 57.5 BILLION (\$9.59 BILLION). NO OFFICIAL BUDGETARY DOCUMENTS YET AVAILABLE, BUT ACCORDING TO REPORTS LEAKED TO THE PRESS, IL 22.4 BILLION (OR 39 PERCENT) OF EXPENDITURE BUDGET WILL BE EARMARKED FOR DEFENSE. OUTLAYS FOR CIVILIAN SERVICES WILL REPORTEDLY REMAIN UNCHANGED, I.E. AT SAME LEVEL AS AFTER ANNOUNCEMENT OF EMERGENCY ECONOMIC PROGRAM LAST NOVEMBER (REF A). NEW TAXES VALUED AT ABOUT IL 2 BILLION AND BUDGETARY DEFICIT OF SOME IL 5 BILLION ARE ENVISAGED.

2. BUDGET WILL BE 42 PERCENT LARGER THAN THAT FOR CURRENT FISCAL YEAR WHICH AMOUNTS TO ABOUT IL 40.7 BILLION. THEREFORE, IN REAL TERMS, NEXT YEAR'S BUDGET WILL BE SMALLER CONSIDERING LAST NOVEMBER'S 43 PERCENT DEVALUATION OF THE ISRAELI POUND, AND INFLATION OF SOME 56 PERCENT IN 1974. THE CURRENT BUDGET
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ORIGINALLY TOTALLED IL 35,350 MILLION (REF B). SUPPLEMENTARY

BUDGET OF IL 5.4 BILLION INCORPORATING EARLIER PROPOSED SUPPLEMENTARY BUDGET OF IL 2.9 BILLION (REF C) PRESENTLY BEING STUDIED BY KNESSET FINANCE COMMITTEE.

3. FY 75/76 BUDGET WILL BE TABLED BEFORE KNESSET TOWARDS END OF FEBRUARY. SINCE KNESSET CANNOT BE EXPECTED TO COMPLETE ITS DELIBERATIONS ON BUDGET BEFORE BEGINNING OF APRIL, IT WILL PROBABLY PASS 3-MONTH INTERIM BUDGET EQUAL TO ONE-QUARTER OF PROPOSED BUDGET FOR ENTIRE FISCAL YEAR.

4. SOME ECONOMISTS FROM PUBLIC AND PRIVATE SECTORS HAVE CRITICIZED LARGE SIZE OF BUDGET, AND PARTICULARLY ITS INEVITABLE BUDGETARY DEFICIT, CLAIMING IT WOULD OFFSET RESTRAINING EFFECTS OF EMERGENCY ECONOMIC PROGRAM BY STIMULATING ECONOMIC ACTIVITY AND, CONSEQUENTLY, ACCELERATING EVEN FURTHER ALREADY SOARING INFLATION.
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